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Pakistan

Oilseeds and Products

Annual

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Approved by: **Jim Dever, Ag Counselor** **U.S. Embassy, Islamabad, Pakistan**
Prepared by: **Ikram Chaudhary, Ag Specialist** **U.S. Embassy, Islamabad, Pakistan**

Report Highlights:

Pakistan is a major vegetable oil market and imports about 70 percent of its edible oil requirements. Despite government efforts to increase oilseed production, production remains inadequate and is forecast to decline this year due to the on-going drought. As a result, the domestic extraction industry operates at half its capacity. Oilseed imports, however, are increasing in response to government policies designed to support the local extraction industry and capture the value-added of local production. Soybean imports, which have been relatively less attractive in the past, are expected to become increasing attractive as a result of higher prices for competing oilseeds, increased demand for soybean meal and decreasing exportable supplies of Indian soybean meal. MY 2001/02 oil imports are forecast to increase due to the forecast decrease in oilseed production.

Includes PSD changes: Yes
Includes Trade Matrix: No
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EXECUTIVE SUMMARY

Pakistan's agriculture sector is at a crossroad. The country is experiencing its worst drought and irrigation shortage since the completion of its irrigation system–the world's largest contiguous irrigation network--in the 1970's. The primary short-term reasons for the current acute irrigation shortage are two consecutive weak monsoons and inadequate glacier and snow melt due to below normal snowfall and cooler than normal temperatures. Irrigation reserves were depleted in early March, leaving only river flow, which is minimal at this time of the year, available for irrigation.

The longer-term cause for the irrigation shortage is poor resource management and planning. Since the irrigation system was completed, demand has increased more than 50 percent while storage capacity has decreased by one-third due to silting, leaving per capita availability at a fraction of its original level. As a result, chronic irrigation shortfalls are expected to play an increasingly important part in Pakistan's agricultural production. In addition to increasing storage capacity and adapting new irrigation techniques, many observers believe Pakistan will need to alter cropping patterns significantly to conserve scarce water resources by shifting out of water-intensive crops, particularly sugar cane and rice, and into other crops, including oilseeds.

Pakistan is the world's fourth largest edible oil importer and edible oil imports represent the second largest import expenditure, next to energy. The government has highlighted increased oilseed production as an important way of saving scarce foreign exchange. Despite this focus, efforts to increase production have not been very successful for a number of reasons and significant increases appear unlikely for the foreseeable future. MY 2001/02 oilseed production is forecast to decrease slightly due to lower area and yield as a result of the drought. Oilseed imports, however, have increased sharply over the past several years in response to government policy designed to support the domestic solvent extraction industry in order to capture the value-added of local meal and oil production and develop a viable industry necessary to stimulate local oilseed production. Although soybean imports have been relatively less attractive in the past due to inconsistencies in the tax structure and the availability of low-priced Indian soybean meal, that situation is expected to change as the price of competing oilseeds increases and the exportable supplies of Indian soybean meal decrease.

Pakistan's MY 2001/02 meal production is forecast to decrease to 1.74 MMT and good-quality soybean meal remains in short supply. Industry observers expect local processors eventually will import soybeans to satisfy the growing demand from the local poultry industry for better quality feed. The industry currently is working to change the tax structure to make soybean imports more attractive.

Pakistan is a major vegetable oil importer. Oil imports are forecast to increase to 1.3 MMT in MY 2001/02. The military government has focused on import substitution (of domestically-produced oil for imported oil) as an important means of saving scarce foreign exchange. Palm oil is the main imported oil. There are, however, growing concern over the health risks of palm oil. A growing number of consumers prefer liquid oils to 'ghee", especially when they can afford them. In the long-term, increased domestic oil production will displace imported palm oil.

OIL SEEDS

PRODUCTION

MY 2001/02 total oilseed production is forecast to decrease by 2 percent to 3.92 million metric tons (MMT), due largely to dry weather and decreases in both area and yield. MY 2000/01 oilseed production decreased 7 percent to 4.01 MMT due mainly to the 6-percent decrease in cotton seed production and the 42-percent decline in sunflower-seed production. The following PS&D tables have been revised to reflect the Ministry of Food, Agriculture and Livestock's (MINFAL) recently released final production figures for the MY 1999/2000 oilseed crops

Cottonseed: Cottonseed is the main oilseed, accounting for nearly 92 percent of production. Cotton is grown mainly for lint, which is the basic input for Pakistan's important textile industry. Oil and meal are secondary products.

MY 2001/02 cottonseed production is forecast at previous years level of 3.6 MMT. This forecast is based on marginal increase in area and a marginal decrease in yield, due to expected serious shortage of irrigation supplies. MY 2001/02 cotton area is expected to increase marginally to 3.1 million hectares as farmers shift out of water intensive sugar cane and rice. However, as the drought continues, there are increasing concerns regarding production prospects for the MY 2001/02 cotton crop.

Rapeseed: MY 2001/02 rapeseed production is forecast to decrease 5 percent to 281,000 MT due mainly to an expected 4-percent decline in area as a result of decreasing returns. Rapeseed production accounts for less than 10 percent of total oilseed production. Rapeseed traditionally is mixed with wheat and harvested for fodder as well as for oil. The Government of Pakistan (GOP) has been working to increase canola production but no significant progress has been made during the past few years. Plans to replace rape and mustard with high-yielding canola have not materialized due to the lack of good quality seed, marketing problems and declining returns.

Sunflower seed: Sunseed production accounts for slightly less than 5 percent of total production in normal years. Despite strong governmental efforts to increase production, MY 2001/02 sunseed production is forecast to decrease nearly 70 percent to only 37,000 MT as farmers shifted out of sunseeds due to unattractive returns and into wheat and vegetables. Farmers complain the support price is not effective since the government does not procure the crop. Additionally, sunseeds prices have remained weak due to weak international prices for sun and other oils.

Government Support

The government encourages oilseed production via a support price mechanism but generally does not procure any oilseeds. Thus far, the government has not announced new support prices. Speculation is that the government will continue to maintain support prices at the 1998/99 level and allow the market to determine prices. Instead of increasing support prices, the government is expected to concentrate on improving production techniques and procurement and marketing infrastructure. There is a growing realization that, rather than competing with domestic production, oilseed imports are needed to help develop a viable processing industry in order to stimulate demand for local oilseed. Officials increasingly appear to recognize that large oil imports--not imported oilseeds--constrain the development of a viable domestic processing industry and is the major

obstacle to increasing domestic oilseed production.

Table 1: Oilseed Support Prices 1/

Commodity	*MY 1997/98*	*MY 1998/99*	*MY 2000/01*	*MY 2001/02*
Sunflower	450	500	500	500
Soybean	345	410	410	410
Canola	450	500	500	500

1/ Rupees per 40 kilograms ($1 = Rs. 60)

CONSUMPTION

Pakistan's crushing industry consists of older, inefficient plants which simply crush the oilseeds and newer solvent extraction plants. Total capacity is estimated at 5 MMT, of which 3.5 MMT consists of the older plants and 1.5 MMT consists of the newer solvent extraction plants. Industry sources estimate the solvent extraction industry is operating at less than 50 percent of capacity due to the lack of raw materials.

TRADE

MY 2001/02 oilseed import are forecast to increase to 455,000 MT due mainly to lower tariffs on oilseeds and higher tariffs on meal and oil, which have significantly increased crushing margins. These changes have allowed the industry (and the economy) to capture the value-added benefits of local production, mainly at the expense of imported Indian soybean meal and palm oil. Imports consist largely of rape seed/canola seed from the European Union and Australia and sunflowerseeds from Ukraine.

Pakistan has not imported soybeans commercially for several years. The sliding tariff, which was disadvantageous to lower-priced oilseeds, and especially soybeans, was replaced by a uniform Rs. 1,200 duty for all oilseeds. Even so, soybean imports continue to be disadvantaged by an anomaly in the tax structure which assess a 15-percent on domestically-produced soybean oil but not on any other domestically-produced oil. The industry currently is working to change this situation, particularly since good quality soybean meal is in short supply. Pakistan is expected to import 165,000 MT of U.S. soybeans under 416 (b) program during CY 2001.

Table 2: Oilseed Imports (MT)

Commodity	MY 1999/00	MY 2000/01	MY 2001/02
Soybeans 1/	0	80,000	85,000
Sunflowerseed	10,000	21,000	20,000
Canola/rapeseed	426,000	350,000	350,000
Total	436,000	451,000	455,000

1/ Assumes soybeans imported under USDA's 416 (b) program

Table 3: Total Oilseed Production, Supply and Demand

PSD Table						
Country:	Pakistan					
Commodity:	TOTAL OILSEEDS					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	3498	3473	3462	3411	0	3443
Area Harvested	3396	3388	3402	3396	0	3443
Beginning Stocks	0	0	0	0	25	0
Production	4218	4298	3911	4013	0	3920
MY Imports	440	436	545	451	0	455
MY Imp. from U.S.	40	0	165	80	0	85
MY Imp. from the EC	0	400	0	300	0	300
TOTAL SUPPLY	4658	4734	4456	4464	25	4375
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	4045	4071	3820	3838	0	3757
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Seed Waste Dm.Cn.	613	663	611	626	0	618
Total Dom. Consumption	4658	4734	4431	4464	0	4375
Ending Stocks	0	0	25	0	25	0
TOTAL DISTRIBUTION	4658	4734	4456	4464	25	4375
Calendar Year Imports	0	410	0	401	0	405
Calendar Yr Imp. U.S.	0	0	0	80	0	85
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 4: Cottonseed Production, Supply and Demand

PSD Table						
Country:	Pakistan					
Commodity:	Cottonseed					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted (COTTON)	3000	3000	3000	3000	0	3100
Area Harvested (COTTON)	2915	2915	2985	2985	0	3100
Seed to Lint Ratio	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	3745	3822	3500	3600	0	3600
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	3745	3822	3500	3600	0	3600
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	3200	3249	2970	3060	0	3060
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Seed Waste Dm.Cn.	545	573	530	540	0	540
Total Dom. Consumption	3745	3822	3500	3600	0	3600
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	3745	3822	3500	3600	0	3600
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 5: Sunflowerseed Production, Supply and Demand

PSD Table						
Country:	Pakistan					
Commodity:	Sunflower-seed					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	160	144	160	81	0	27
Area Harvested	147	144	115	81	0	27
Beginning Stocks	0	0	0	0	0	0
Production	190	195	150	114	0	37
MY Imports	20	10	30	21	0	20
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	210	205	180	135	0	57
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	189	185	160	122	0	51
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	21	20	20	13	0	6
Total Dom. Consumption	210	205	180	135	0	57
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	210	205	180	135	0	57
Calendar Year Imports	0	10	0	21	0	20
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 6: Rapeseed Production, Supply and Demand

PSD Table						
Country:	Pakistan					
Commodity:	Rapeseed					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	332	327	300	328	0	314
Area Harvested	332	327	300	328	0	314
Beginning Stocks	0	0	0	0	0	0
Production	282	279	260	297	0	281
MY Imports	370	426	350	350	0	350
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	400	0	300	0	300
TOTAL SUPPLY	652	705	610	647	0	631
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	605	635	549	582	0	568
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	47	70	61	65	0	63
Total Dom. Consumption	652	705	610	647	0	631
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	652	705	610	647	0	631
Calendar Year Imports	0	400	0	300	0	300
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 7: Soybean Production, Supply and Demand

PSD Table						
Country:	Pakistan					
Commodity:	Soybean					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	6	2	2	2	0	2
Area Harvested	2	2	2	2	0	2
Beginning Stocks	0	0	0	0	25	0
Production	1	2	1	2	0	2
MY Imports	50	0	165	80	0	85
MY Imp. from U.S.	40	0	165	80	0	85
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	51	2	166	82	25	87
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	51	2	141	74	0	78
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	0	0	0	8	0	9
Total Dom. Consumption	51	2	141	82	0	87
Ending Stocks	0	0	25	0	25	0
TOTAL DISTRIBUTION	51	2	166	82	25	87
Calendar Year Imports	0	0	0	80	0	85
Calendar Yr Imp. U.S.	0	0	0	80	0	85
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

OIL MEALS

PRODUCTION

MY 2001/02 meal production is expected to decrease about 2 percent to 1.74 MMT due to the forecast decrease in oilseed production despite increased oilseed imports. Domestic meal production consists of about 80 percent cottonseed meal and 15 percent rapeseed meal. The domestic industry does not produce a significant amount of soybean meal because the tax structure and the availability of low-priced soybean meal from India makes soybean imports relatively less attractive. Even so, there is increasing demand for high-quality soybean meal from the domestic poultry feed industry. Market observers believe Pakistan will need to develop alternative sources of soybean meal in the next 3-to-5 years as India consumes increasing amounts and exportable supplies decrease.

CONSUMPTION

Meal consumption during MY 2001/02 is forecast to increase to 1.86 MMT in response to the demand from the livestock and poultry industries for better-quality (i.e., more protein) rations in order to operate more efficiently. Demand for soybean meal also is expect to increase in response to increases in poultry production as consumers become more health conscious and shift from red to white meat. Traditional feed rations generally are inadequate and contain little or no protein. Given the low inclusion rates, there is a large potential to expand protein meal consumption.

TRADE

Soybean meal is the major imported meal. During MY 2001/02, soybean meal imports are forecast to decline to 120,000 MT due to increased domestic soybean meal production from the soybeans imported under the 416(b) program. Currently, all soybean meal is imported from India, which dumps meal onto the market because of its limited domestic alternatives. Imports of cheap Indian soybean meal significantly reduce crushing margins for imported soybeans. Infrastructure and political problems in India result in irregular availability and limit Pakistan's imports to about half of the poultry industry's estimated requirement of 250,000 MT. In addition to inadequate and irregular supplies, the poor quality of Indian meal is a significant problem for Pakistan's poultry industry.

During 1999/00 GOP increased the tariff on soybean meal from 10 to 35 percent in order to improve crushing margins for imported soybeans. Soybean meal imports were expected to decline and soybean imports were expected to increase as a result of this change. However, the tariff concessions to India as a fellow SAARC member, the disadvantageous tax on domestically-produced soybean oil, and the low freight and easy availability of Indian soybean meal have reduced the attractiveness of soybean imports.

Table 8: Total Oil Meals Production, Supply and Demand

PSD Table						
Country:						
Commodity:	TOTAL OILMEALS					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	4045	4071	3820	3838	0	3757
Extr. Rate	0.4625464	0.4571358	0.4709424	0.4635227	ERR	0.4647325
Beginning Stocks	0	0	0	0	0	0
Production	1871	1861	1799	1779	0	1746
MY Imports	150	110	90	100	0	120
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	2021	1971	1889	1879	0	1866
MY Exports	0	20	0	20	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	2021	1951	1889	1859	0	1866
Total Dom. Consumption	2021	1951	1889	1859	0	1866
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2021	1971	1889	1879	0	1866
Calendar Year Imports	0	100	0	100	0	100
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 9: Cottonseed Meal Production, Supply and Demand

PSD Table						
Country:						
Commodity:						
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	3200	3249	2970	3060	0	3060
Extr. Rate	0.4625	0.4601416	0.462963	0.4601307	ERR	0.4601307
Beginning Stocks	0	0	0	0	0	0
Production	1480	1495	1375	1408	0	1408
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1480	1495	1375	1408	0	1408
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	1480	1495	1375	1408	0	1408
Total Dom. Consumption	1480	1495	1375	1408	0	1408
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1480	1495	1375	1408	0	1408
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 10: Sunflowerseed Meal Production, Supply and Demand

PSD Table						
Country:						
Commodity:						
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	189	185	160	122	0	51
Extr. Rate	0.4179894	0.4216216	0.41875	0.4180328	ERR	0.4117647
Beginning Stocks	0	0	0	0	0	0
Production	79	78	67	51	0	21
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	79	78	67	51	0	21
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	79	78	67	51	0	21
Total Dom. Consumption	79	78	67	51	0	21
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	79	78	67	51	0	21
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 11: Rapeseed Meal Production, Supply and Demand

PSD Table						
Country:						
Commodity:						
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	605	635	549	582	0	568
Extr. Rate	0.4495868	0.4503937	0.4499089	0.4501718	ERR	0.4507042
Beginning Stocks	0	0	0	0	0	0
Production	272	286	247	262	0	256
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	272	286	247	262	0	256
MY Exports	0	20	0	20	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	272	266	247	242	0	256
Total Dom. Consumption	272	266	247	242	0	256
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	272	286	247	262	0	256
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 12: Soybean Meal Production, Supply and Demand

PSD Table						
Country:						
Commodity:						
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	51	2	141	74	0	78
Extr. Rate	0.7843137	1	0.7801418	0.7837838	ERR	0.7820513
Beginning Stocks	0	0	0	0	0	0
Production	40	2	110	58	0	61
MY Imports	150	110	90	100	0	120
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	190	112	200	158	0	181
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	190	112	200	158	0	181
Total Dom. Consumption	190	112	200	158	0	181
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	190	112	200	158	0	181
Calendar Year Imports	0	100	0	100	0	100
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

OILS

PRODUCTION

Pakistan is a deficit oil producer--domestic oil production provides only about 30 percent of total consumption requirements. MY 2001/02 oil production is forecast to decrease 5 percent to 522,000 MT, due to the forecast decrease in oilseed production as a result of the drought. Of the total domestic production about 59 percent is cotton oil, 36 percent is rapeseed oil and 3 percent is sunflower oil. Oil produced from domestic oilseeds is expected to decline (due to the forecast decline in oilseeds production), while the relative share of oil produced from imported oilseeds is expected to increase.

CONSUMPTION

Pakistan's MY 2001/02 total edible oil consumption is forecast to remain at last years level of 1.8 MMT. This forecast is based on slow economic growth resulting a decline in consumers' purchasing power. An estimated 80 percent of total oil consumption is consumed as "ghee" (i.e., shortening). Virtually all palm oil and most cotton oil is used to produce "ghee." There is, however, a growing consciousness of the negative health effects of saturated oils, particularly palm oil and consumers (when they can afford it) are increasingly shifting from "ghee" to liquid oils.

TRADE

Pakistan is one of the world's largest vegetable oil importers. Imports of edible oils represent the second single largest expenditure of foreign exchange. To conserve scarce foreign exchange, the government has highlighted increased domestic production of oilseeds and oil as a priority. However, despite this rhetoric, production is decreasing due to decreasing returns to oilseed production, mainly as a result of weak international prices. MY 2001/02 oil imports are forecast to increase 5 percent to 1.31 MMT.

Pakistan is a price-sensitive market and the relative prices of various oils affect the import mix. Palm oil is the main imported oil due to its low price. In addition, "flexibility" in contract terms and specifications make palm oil even more attractive. Given a growing consciousness of the health risk and other irregularities associated with palm, local production of liquid oils generally displace imported palm oil.

During MY 2000/01, soybean oil imports declined to 140,000 MT due to its higher price and the avilability of low-priced palm olein, which is often blended with other liquid oils. MY 2001/02 soybean oil imports are expected to rebound somewhat.

As international oil prices fall, the government has raised tariffs to maintain prices and collect additional revenues. Palm oil importers and ghee manufacturers continue to oppose this policy. They claim that imported oil also is a value-added business and advocate that the government reduce tariffs on imported oils and raise them on oilseeds. They claim the government is losing significant tariff revenue by reducing the tariff on imported oilseeds. Their argument, however, neglects the substantial foreign exchange saving involved in the importation of raw materials and the benefits of value-added production. GOP decision-makers increasing realize that the real competition is not between domestic and imported oilseeds but between domestic oil

production (using both local and imported oilseeds) and imported palm oil.

Table 13: Oil Tariffs and Taxes

Commodity	*NEW Tariff*	*OLD Tariff*	*NEW Sales Tax*	*OLD Sales Tax*
Palm Oil	Rs.10,300 per MT	Rs. 7,300 per MT	15 %	12.5 %
Soy Oil	Rs. 9,150 per MT	Rs. 6,800 per MT	15 %	12.5 %
Sun Oil	35 %	45 %	15 % CED	0 %
Canola Oil	35 %	45 %	15 % CED	0 %
Cotton Oil	35 %	45 %	15 % CED	0 %

Tariffs on palm and soy oils were increased to increase revenues and were calculated to maintain domestic prices at current levels, despite lower international prices. Higher oil tariffs also help to improve crushing margins. Sun and cotton oils tend to be more expensive and imports are minimal.

STOCKS

Oil stocks are expected to remain constant at about one month's supply. Stocks are held both by producers and traders.

Table 14: Total Oils Production, Supply and Demand

PSD Table						
Country:						
Commodity:	TOTAL OILS					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	4045	4071	3820	3838	0	3757
Extr. Rate	0.1480841	0.1468927	0.1473822	0.1435644	ERR	0.1389406
Beginning Stocks	88	153	163	158	153	158
Production	599	598	563	551	0	522
MY Imports	1470	1224	1545	1250	0	1310
MY Imp. from U.S.	7	0	75	75	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	2157	1975	2271	1959	153	1990
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	84	81	77	82	0	84
Food Use Dom. Consump.	1881	1709	2012	1691	0	1710
Feed Waste Dom.Consum.	29	27	29	28	0	28
Total Dom. Consumption	1994	1817	2118	1801	0	1822
Ending Stocks	163	158	153	158	153	168
TOTAL DISTRIBUTION	2157	1975	2271	1959	153	1990
Calendar Year Imports	0	1182	0	1165	0	1170
Calendar Yr Imp. U.S.	0	10	0	75	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 15: Cottonseed Oil Production, Supply and Demand

PSD Table						
Country:						
Commodity:						
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	3200	3249	2970	3060	0	3060
Extr. Rate	0.1015625	0.1000308	0.1010101	0.1	ERR	0.1
Beginning Stocks	10	15	10	15	10	15
Production	325	325	300	306	0	306
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	335	340	310	321	10	321
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	27	29	20	28	0	28
Food Use Dom. Consump.	295	293	277	275	0	275
Feed Waste Dom.Consum.	3	3	3	3	0	3
Total Dom. Consumption	325	325	300	306	0	306
Ending Stocks	10	15	10	15	10	15
TOTAL DISTRIBUTION	335	340	310	321	10	321
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 16: Sunflowerseed Oil Production, Supply and Demand

PSD Table						
Country:						
Commodity:						
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	189	185	160	122	0	51
Extr. Rate	0.3597884	0.3405405	0.35625	0.3360656	ERR	0.3333333
Beginning Stocks	3	3	3	3	3	3
Production	68	63	57	41	0	17
MY Imports	20	17	30	10	0	10
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	91	83	90	54	3	30
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	88	80	87	51	0	27
Feed Waste Dom.Consum.	0	0	0	0	0	0
Total Dom. Consumption	88	80	87	51	0	27
Ending Stocks	3	3	3	3	3	3
TOTAL DISTRIBUTION	91	83	90	54	3	30
Calendar Year Imports	0	17	0	10	0	10
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 17: Rapeseed Oil Production, Supply and Demand

PSD Table						
Country:						
Commodity:						
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	605	635	549	582	0	568
Extr. Rate	0.3256198	0.3307087	0.3296903	0.3298969	ERR	0.3292254
Beginning Stocks	10	10	15	15	15	15
Production	197	210	181	192	0	187
MY Imports	0	30	0	50	0	50
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	207	250	196	257	15	252
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	6	7	5	7	0	7
Food Use Dom. Consump.	184	226	174	232	0	228
Feed Waste Dom.Consum.	2	2	2	3	0	2
Total Dom. Consumption	192	235	181	242	0	237
Ending Stocks	15	15	15	15	15	15
TOTAL DISTRIBUTION	207	250	196	257	15	252
Calendar Year Imports	0	0	0	30	0	40
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 18: Soybean Oil Production, Supply and Demand

PSD Table						
Country:						
Commodity:						
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	51	2	141	74	0	78
Extr. Rate	0.1764706	0	0.177305	0.1621622	ERR	0.1538462
Beginning Stocks	15	15	10	15	5	15
Production	9	0	25	12	0	12
MY Imports	225	172	275	140	0	150
MY Imp. from U.S.	7	0	75	75	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	249	187	310	167	5	177
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	8	5	6	5	0	5
Food Use Dom. Consump.	229	165	297	146	0	151
Feed Waste Dom.Consum.	2	2	2	1	0	1
Total Dom. Consumption	239	172	305	152	0	157
Ending Stocks	10	15	5	15	5	20
TOTAL DISTRIBUTION	249	187	310	167	5	177
Calendar Year Imports	0	170	0	125	0	120
Calendar Yr Imp. U.S.	0	5	0	75	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 19: Palm Oil Production, Supply and Demand

PSD Table						
Country:	Pakistan					
Commodity:	Oil, Palm					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
No of Trees	0	0	0	0	0	
Beginning Stocks	50	110	125	110	120	110
Production	0	0	0	0	0	0
MY Imports	1225	1005	1240	1050	0	1100
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1275	1115	1365	1160	120	1210
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum.	43	40	46	42	0	44
Food Use Dom. Consump.	1085	945	1177	987	0	1029
Feed Seed Waste Dm.Cn.	22	20	22	21	0	22
Total Dom. Consumption	1150	1005	1245	1050	0	1095
Ending Stocks	125	110	120	110	120	115
TOTAL DISTRIBUTION	1275	1115	1365	1160	120	1210
Calendar Year Imports	0	995	0	1000	0	1000
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0